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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-22:

Refer to the SWEPCO news release dated 10/14/2020 titled "SWEPCO Proposes Rate Change for Texas Customers." With respect to the sentence that reads "It also includes costs related to generating unit retirements, increased tax costs related to accelerated depreciation, and additional funds for vegetation management." Please provide a detailed explanation of how accelerated depreciation increases tax costs for SWEPCO's ratepayers.

Response No. STAFF 9-22:

The news release is attempting to describe the impact on rates from the inclusion of the NOL ADFIT as a component of rate base. It is described as "related to accelerated depreciation" because the federal tax losses were the result of deductions taken on returns for accelerated tax depreciation. It is a tax component of rate base which, when isolated from the overall reduction to rate base from all other ADIT, does result in an increase to rate base and as a result an increase in the rate, or cost, charged to customers.

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